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TRIZEC
CORPORATION
LTD.

Annual Report

1976

Trizec Corporation Ltd. and Subsidiary Companies

HIGHLIGHTS OF 1976

	year ended October 31,	
	1976	1975
Cash Flow from Operations	\$ 15,950,000	\$ 17,570,000
Per Share *	\$2.05	\$2.32
Fully diluted	\$1.80	\$2.02
Net Earnings before Extraordinary Items	\$ 3,363,000	\$ 3,234,000
Per Share *	43.3¢	42.7¢
Fully diluted	41.0¢	38.5¢
Net Earnings	\$ 4,010,000	\$ 2,924,000
Per Share *	51.7¢	38.6¢
Fully diluted	48.5¢	34.8¢
Gross Income	\$162,799,000	\$173,938,000
Total Assets	\$896,365,000	\$920,879,000
Paid-in Capital and Retained Earnings	\$116,029,000	\$115,844,000
Shares Outstanding at October 31	7,763,462	7,759,772
Average Shares Outstanding	7,762,386	7,575,872
Approximate Number of Shareholders	3,000	3,300
*Per share calculations are based on the average number of shares outstanding during the period.		

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Si vous préférez recevoir ce rapport en français, veuillez vous adresser au secrétaire, Trizec Corporation Ltd., 5 Place Ville Marie, Montréal, Québec H3B 2G6

DIRECTORS

Edward M. Bronfman

Montreal, Quebec
Chairman of the Board
Edper Investments Ltd.

***Peter F. Bronfman**

Montreal, Quebec
President
Edper Investments Ltd.

***†Jack L. Cockwell**

Montreal, Quebec
Vice President
Edper Investments Ltd.

***††E. Jacques Courtois, Q.C.**

Montreal, Quebec
Lawyer, Courtois, Clarkson, Parsons & Tétrault

***J. Trevor Eyton, Q.C.**

Toronto, Ontario
Lawyer, Tory, Tory, DesLauriers & Binnington

Leo Goldfarb

Montreal, Quebec
Executive Vice President
Trizec Corporation Ltd.

The Rt. Hon. the Viscount Hardinge, M.B.E.

Montreal, Quebec
Honorary Chairman
Greenshields Incorporated

***Stanley H. Honeyman**

London, England
Deputy Chief Executive
English Property Corporation Limited

***††David A. Llewellyn**

London, England
Chief Executive
English Property Corporation Limited

Frank H. Logan

Toronto, Ontario
Deputy Chairman
Dominion Securities Limited

***Harold P. Milavsky**

Calgary, Alberta
President and Chief Executive Officer
Trizec Corporation Ltd.

†Stanley E. Nixon

Montreal, Quebec
Corporate Director and Financial Consultant

Hon. Lazarus Phillips, O.B.E., Q.C.

Montreal, Quebec
Lawyer, Phillips & Vineberg

Sam Pollock

Montreal, Quebec
Vice President
Carena-Bancorp Inc.

***†Gerald Rothman**

London, England
Director and Group Solicitor
English Property Corporation Limited

Edmund Sardachuk

Calgary, Alberta
Senior Vice President
Trizec Corporation Ltd.

Jack Wiseman

Montreal, Quebec
Senior Vice President
Trizec Corporation Ltd.

OFFICERS

Peter F. Bronfman

Chairman of the Board

Harold P. Milavsky

President and Chief Executive Officer

Leo Goldfarb

Executive Vice President and
Chief Operating Officer

Edmund Sardachuk

Senior Vice President
Development & Construction

Jack Wiseman

Senior Vice President
Planning

Kenner C. Ames

Vice President — Shopping Centres

Machiel A. Cornelissen

Vice President — Finance & Administration

Edward C. Elford

Vice President — Development & Construction

David W. Jordan

Vice President — Western Division

John A. Meyer

Vice President — Corporate Relations

Michael M. Novac

Vice President — Maritime Division

Jack Rabinovitch

Vice President — Quebec Division

William W. Tinmouth

Vice President & General Counsel

J. Peter Griffin

Treasurer

Margaret S. Lawrie

Secretary

Mark R. Dobbyn

Comptroller

Catrinus Renema

Assistant Vice President — Finance

*Member of Executive Committee

†Member of Audit Committee

††Vice Chairman of the Board

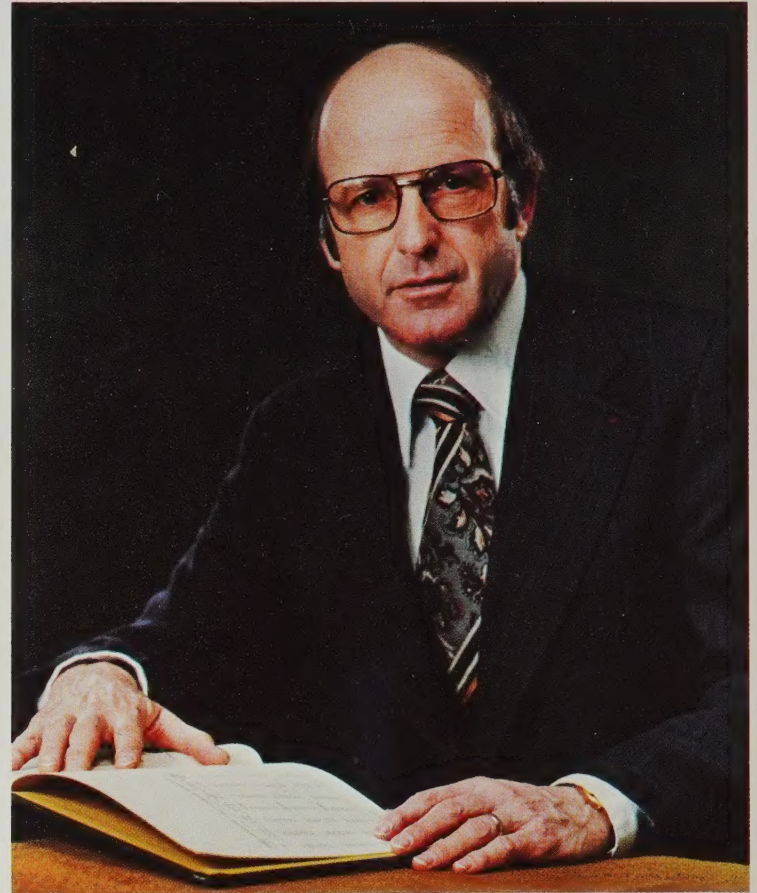
PRESIDENT'S MESSAGE

During the past year, changes were made in the direction and operations of your Company designed to improve its potential for increased earnings. The purpose of Trizec, however, remains the same: To realize the maximum return from its prime commercial properties while continuing to add to them by development and acquisition.

Among the changes was the transfer of control to Canadians, the consequence of a transaction between the two principal shareholders, English Property Corporation Limited and Edper Investments Ltd. This is reflected in the present composition of the board and in new executive appointments. The transfer of control has restored Canadian status to the Company, under the Foreign Investment Review Act, and has opened the way for new infusions of capital to assist in its continued growth.

Change was also made in the internal organization of the Company to impart greater efficiency to the pursuit of the Company's objectives. The clear distinction has been made between the property development and property administration functions of the Company. Additions to its portfolio can now be actively sought without the risk of compromising the quality of the day-to-day administration of properties already in the portfolio. I am confident that the realignment of executive responsibilities will prove increasingly beneficial to the Company.

A number of changes were made in the Company's portfolio, the effect of which has been to enhance its quality. Much of the Company's debt was restructured to extend its maturity and open up possibilities for new long-term financing. A new accounting policy, as recommended by the Canadian Institute of Chartered Accountants, has been adopted so that the Company's interests in 50% or less owned corporate joint ventures are now accounted for on the proportionate consolidation method. These changes are described in greater detail in the Review of Operations.



Harold P. Milavsky

As well as being a year of change, it has also been a year of accomplishment. Scotia Centre, Calgary, completed on budget and now leasing on schedule, was formally opened. The first phase office tower of Brunswick Square, Saint John, was also opened and a start made on the retail phase. The construction of the office tower and retail accommodation for Maritime Centre, Halifax, will be completed this year. In Winnipeg, the city has begun construction of its parking facility, clearing the way for the start on the first phase of Winnipeg Square, a major multi-use complex at Portage and Main.

Construction of a shopping centre, Markham Place, in the Toronto area, is well advanced. A regional shopping centre in Clearwater, Florida, was acquired, increasing the Company's property assets in the United States to 24% of its portfolio. A retirement lodge in Ottawa and a nursing home in Toronto will be ready for occupancy this Spring. Further improvements were made in the quality of the Company's mobile home parks. Several new projects are under active consideration.

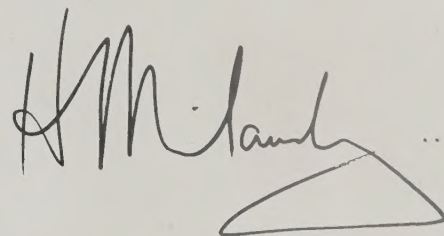
Following the sale of property assets with a total book value of \$84 million, which was detailed in last year's report, three office buildings in Montreal were also sold early in the year. The purchase of the minority interest in Trizec Western Ltd. was completed. The guiding intent in these and related transactions has been, and will continue to be, to establish and maintain the quality of Trizec's property portfolio at the highest possible level.

The coming year will be a difficult one for business in general. While Trizec, as a real estate investment company, is less exposed to short-term fluctuations in activity than most businesses, it would be misleading to say the Company won't be affected by the slower rate of real economic growth that is indicated at this time.

The recovery from the recession has not been as vigorous as had been projected. The imposition of anti-inflation controls undermined consumer and business confidence and rental income from certain properties was not as buoyant as had been expected. There are, however, reasons to believe that the anti-inflation control program will soon be suspended and that measures will be taken to stimulate the economy. Particularly encouraging is the federal government's renewed commitment to the maintenance of a free market economy.

While it will be a difficult year for Canadians, I believe your Company to be capable of successfully meeting the challenges before it. Trizec's employees are second to none in their dedication to the Company's interests and in the skills which, working together, they can bring to the resolution of the problems which lie ahead.

I would like to acknowledge the efforts of those directors and officers who, although now no longer associated with the Company, contributed to its progress in the past.

A handwritten signature in dark ink, appearing to read "H. Milavsky", with a large, stylized loop at the end.

Harold P. Milavsky
President and Chief Executive Officer
February 10, 1977.

REVIEW OF OPERATIONS

FINANCIAL

Net earnings for the year before extraordinary items increased to \$3,363,000 from \$3,234,000 in 1975. Net earnings after extraordinary items increased to \$4,010,000 from \$2,924,000 in 1975, in part because of a net extraordinary gain of \$647,000.

The extraordinary gain, net of deferred income taxes, comprises a net gain of \$5,237,000 arising from sales of property interests, less provisions of \$3,934,000 for the estimated diminution in the underlying economic value of certain undeveloped and other properties, and \$656,000 for contract terminations and other reorganization costs.

The extraordinary gain of \$5,237,000 arose on the sales during the year of property assets with a total book value of \$100 million. The effect of the sales is apparent in reductions from the previous year in most of the Company's assets and liabilities, and items of income and expenditure.

As recommended by the Canadian Institute of Chartered Accountants in their recent exposure draft on accounting for joint ventures, the Company's accounting policy was changed during the year to include the proportionate consolidation of the financial statements of 50% or less owned corporate joint ventures which in previous years were accounted for on the equity basis. The change permits the Company's financial results to be set out more clearly than before. While net earnings were unaffected by the change, cash flow from operations was reduced by \$810,000 in 1976 and by \$244,000 in the restated 1975 figure. The cash flow reduction was largely attributable to the 50% owned Quebec Hilton Hotel whose revenues have been adversely affected by a surplus of accommodation in its market.

The overall decrease in cash flow from operations to \$15,950,000 from \$17,570,000 the previous year is attributable, in addition to the Quebec Hilton Hotel, to the loss of a major tenant in Detroit, the cessation of the Company's construction activities and the initially negative effect of certain properties coming on stream.

During the latter part of 1976 substantial progress was made in restructuring the Company's short term debt by obtaining medium term financing consistent with the Company's asset portfolio. At fiscal year-end, \$65 million of short term debt formerly due in 1977 had been reduced to \$37 million.

The Company's principal sources of financing are long term loans directly secured on income producing properties, and long term senior debentures. It has been the Company's practice to raise \$20 to \$30 million through senior debenture issues every two to three years.

In addition, several long term loans secured by certain major property interests no longer bear an appropriate relationship to economic values. Refinancing of these loans over the next five years will provide major sources of funds for investment in new properties and repayment of short-term debt. The Company has been able to obtain term features on its interim financing loans which provide it with sufficient flexibility to time new long-term financing at optimal terms.

It is the intention of the Company to continue to dispose of properties which do not meet the Company's investment criteria. It is no longer the Company's policy to land bank city-centre sites for long range future development and certain of these holdings will become available for disposal.

Since the financial year-end, \$10 million of 7 per cent convertible notes have been converted into common shares in the Company, with the consequent improvement to the Company's equity base and reduction in future interest charges. It is intended to increase the authorized capital stock by 2 million common shares and 2 million preferred shares to permit further equity funds to be raised.

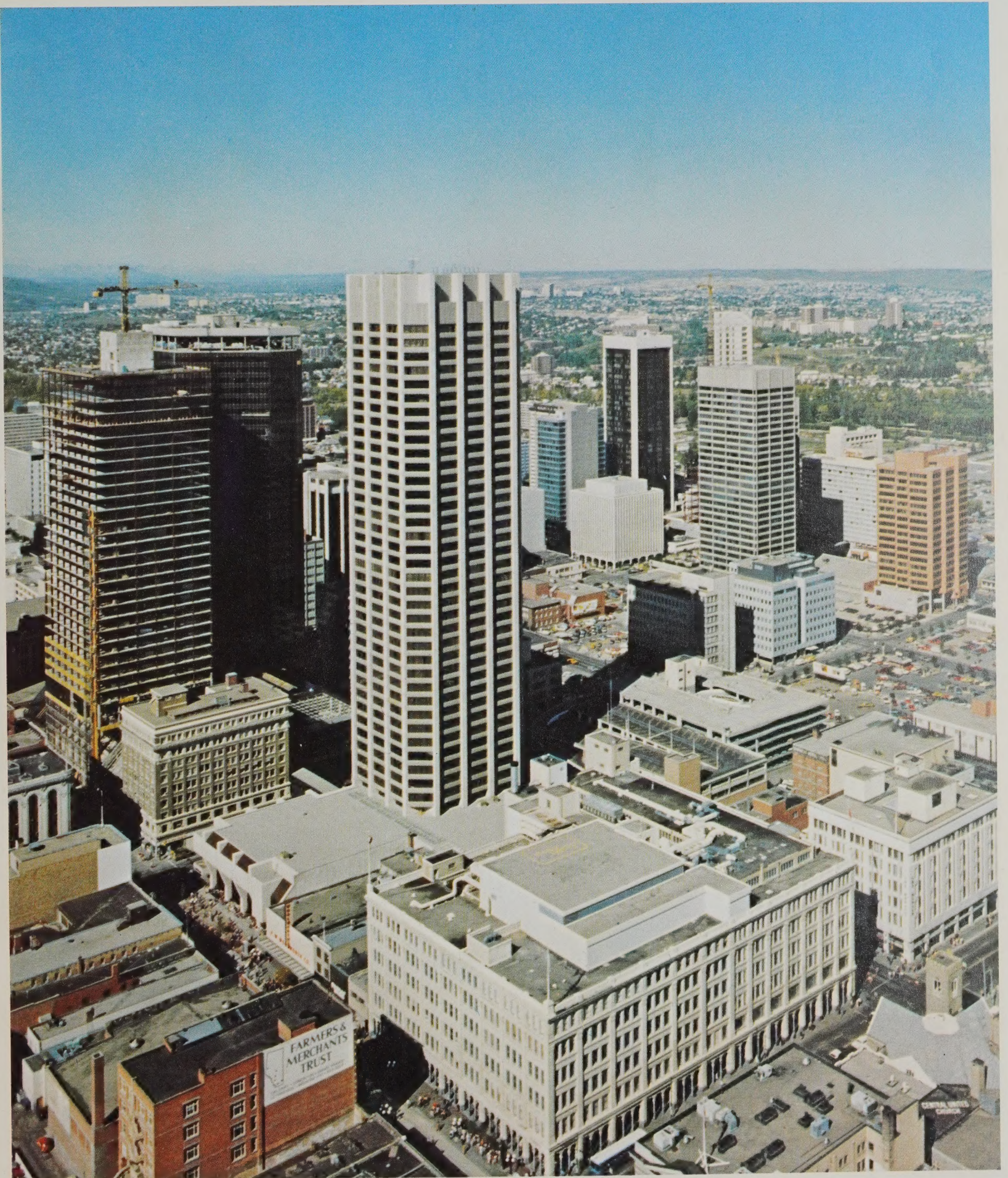
PROPERTY REVIEW

Several changes were made in the property portfolio through development, acquisition and disposals, all directed towards more fully implementing the Company's policy of concentrating its investment in large urban complexes, shopping centres, and in the further development of its retirement lodges and mobile home parks. At the year-end, book value of the property portfolio was \$806 million.

Development

Scotia Centre, Calgary, was formally opened September 28 and its 563,000 square feet of office, retail and banking accommodation is substantially let. Principal tenant of the 40-storey office tower is Hudson's Bay Oil and Gas after which the tower is named. The Bank of Nova Scotia has established its regional offices in the complex.

The 40-storey tower of Scotia Centre, tallest in the city, makes a distinguished addition to Calgary's skyline. The 563,000 square foot office, retail and banking complex was opened Sept. 28 and is substantially let. Scotia Centre is linked at three levels with an adjacent major department store. To its right is another Trizec property, Calgary Place.



The first phase of Brunswick Square, Saint John, was opened November 17. The 19-storey, 327,000 square foot office tower, whose principal tenant is The New Brunswick Telephone Company, Limited, is substantially let. The second phase, which includes approximately 91,000 square feet of retail and banking accommodation, the latter pre-leased to The Bank of Nova Scotia, will be completed this fall. There will be parking spaces for 450 cars. Provision is also being made for a department store and a hotel.

The first phase of Maritime Centre, Halifax, will be ready for occupancy in late spring. The principal tenant of the 13-storey, 300,000 square foot office tower will be The Maritime Telegraph and Telephone Company Limited. The first phase also includes 71,000 square feet of retail space which is now being leased. Additions to the tower, retail space and to parking are contemplated for future phases.

The City of Winnipeg has begun construction of a municipal parking facility, enabling the Company to proceed with the detailed planning of Winnipeg Square which will be constructed over it. The development will ultimately include office accommodation, retail and banking facilities and a hotel.

In addition to properties whose initial development has been completed or is scheduled for early completion, the Company is well advanced with the construction in the Metropolitan Toronto area of Markham Place, a 263,000 square foot shopping centre whose anchor tenants are Simpsons-Sears and Steinberg's Limited. The opening is planned for August this year.

A 150-room retirement lodge in Ottawa and a 256-bed nursing home in Etobicoke, in Metropolitan Toronto, will be opened in April. Thorncliffe No. 1, Toronto, a 217-bed nursing home, is being renovated and expanded into a 168-room retirement lodge.

A number of existing properties are scheduled for further development. Under active consideration are additions of retail and office space to Halifax Shopping Centre, additions of office and parking space to Yorkdale Shopping Centre where a new subway station is to be opened, and additions of office space to Place Quebec. A regional shopping centre in St. Vital, Manitoba, is being planned and preliminary discussions are taking place on a number of other potential developments.

Acquisitions

Clearwater Mall, a large regional shopping centre in Clearwater, Florida, was acquired during the year. Located at a strategic highway intersection in a rapidly expanding section of the sun-belt, it has four major department stores and a total of 876,000 square feet of retail space.

The Company is continuing to look for acquisition opportunities in Canada and the United States — subject, of course, to stated investment criteria.

During the year, the Company acquired the outstanding one-third interest in Trizec Western Ltd., formerly Tristar Western Ltd. The Company's Los Angeles properties, among others, are held through Trizec Western. The Company, has also recently increased its interest in Scarborough Shoppers Mall from 65% to 90%.

Disposals

The sale during the year of a block of mixed property interests with a book value of \$84 million was detailed in last year's report. Three office buildings in Montreal and certain other smaller properties with a book value of \$16 million were also sold early in the year. The Company will continue to divest itself of other Canadian properties which are considered incompatible with its investment program.

It should be noted that the sale during the year of properties with a book value of \$100 million was to a large extent balanced by additions to the Company's portfolio, resulting in the reduction in the book value of the property portfolio of only \$28 million.

EXISTING PORTFOLIO

A significant aspect of Trizec's property portfolio, apart from the quality of the individual properties, is its functional diversity and geographical spread. The prime components of its portfolio are office buildings, which account for 60% of property assets, shopping centres 18%, retirement lodges 7% and mobile home parks 8%. Representative properties are located in every major Canadian city and in Los Angeles, Detroit, Atlanta and in Florida.

Office buildings, having long-term rentals with escalation to cover increases in such operating costs as taxes and maintenance, offer desirable stability of

With the acquisition of Clearwater Mall, Trizec's property assets in the U.S. were increased to 24 per cent of its total property portfolio. The 876,000 square foot regional shopping centre, indicative of the Company's expansion in the sun-belt, has four major department stores. In the background is Bay Aristocrat, one of the Company's mobile home parks.

(below) The first phase of Maritime Centre, Halifax, will be open for occupancy this spring. Principal tenant of the 13-storey, 300,000 square foot tower will be The Maritime Telegraph and Telephone Company Limited. The first phase also includes 71,000 square feet of retail space now being leased.



income. At the same time, with the character and location of these properties assuring a high rate of re-leasing, they also offer an attractive potential for a rising return as rental rates increase in response to higher construction costs.

Shopping centre rentals are commonly fixed to a percentage of sales by tenants with provision for an underlying fixed rent based on space taken. Revenues from Trizec's shopping centres and other retail areas were not as buoyant last year as expected because of the limited rise in consumer spending. Relative to other retail outlets, however, they showed a creditable gain.

The demand for quality private accommodation for the elderly is a relatively new development in Canada. The provision of such accommodation by the Company's Central Park Lodge division is largely determined by the speed with which demand for it is growing. The Company has the resources to anticipate the market and to be first in place with the appropriate facilities. At year-end, exclusive of the newly-opened St. Lambert Lodge, retirement lodge and nursing home accommodation was 95 per cent occupied.

The Mobile Home Communities division made further improvements to the quality of its portfolio. Three parks were sold and three were acquired. The latter — in sun-belt locations and designed for adults, as distinct from family occupancy — offer greater potential for increases in income. These acquisitions were self-financed and the division is in the position to finance further additions to its portfolio.

The Company's hotel interests have been reduced. Total revenues from the remaining investments have been depressed by the low occupancy rate and intense competition experienced by Quebec Hilton Hotel in which the Company has a 50% interest.

The Company's three high-rise apartment buildings, all located in Halifax, are fully leased.

A summary of the Company's property interests is presented on pages 11 and 12.

CHANGE IN CONTROL

During the year, the two largest shareholders — English Property Corporation Limited and Edper Investments Ltd., acting through Carena-Bancorp Inc. — together established a new Canadian company, Carena Properties Inc., in which was vested control of the Company.

Voting control of Carena Properties was assumed by Carena-Bancorp, a Canadian public company, thereby enabling Trizec to be confirmed as an eligible Canadian company within the meaning of the Foreign Investment Review Act. Trizec has now been restored to the same competitive position in Canada that it enjoyed prior to the introduction of the Act.

INTERNAL ORGANIZATION

The Company is continuously adding to its portfolio of prime commercial properties by development and acquisition. At the same time, the properties already in its portfolio require consistently efficient administration if the maximum return is to be realized from them.

Responsibility for development and acquisitions has been assumed by Jack Wiseman and Edmund Sardachuk, senior vice presidents. The former carries through planning, the latter development and construction.

Responsibility for operations and administration of the Company's properties has been assumed by Leo Goldfarb, executive vice president and chief operating officer. Mr. Goldfarb is supported at the regional level by vice presidents: Michael M. Novac in Halifax for the Maritimes; Jack Rabinovitch in Montreal for office buildings in Quebec, Ontario, Detroit and Atlanta; Kenner C. Ames in Toronto for shopping centres and other retail properties across the country; David Jordan in Calgary for the Western Provinces; and William Liebowitz in Los Angeles.

The Central Park Lodge and the Mobile Home Communities divisions continue to operate out of Toronto and Denver respectively as separate entities. The former is under the direction of Allan C. Duncan, executive vice president, and the latter under the direction of James M. Hankins, president.

These realignments of executive responsibility give the Company the development reach and administrative depth essential to assure continuing growth and improved earnings.

The 19-storey office tower of Brunswick Square, Saint John, has been substantially leased. Construction of the retail, banking and parking facilities, which comprise the second phase, is underway to the left of the tower. The second phase also provides for a department store and hotel.

(below) This 150-room retirement lodge in Ottawa is being twinned with an existing lodge and will be opened for occupancy in April. At year-end, exclusive of newly-opened St. Lambert Lodge, retirement lodge and nursing home occupancy was 95 per cent.



Trizec Corporation Ltd. and Subsidiary Companies

SUMMARY OF PROPERTY INTERESTS

(As at October 31, 1976. Company's percentage interest is 100% unless otherwise noted)

OFFICE BUILDINGS

	Total (rentable sq. ft.) ¹
Halifax	
Centennial Building	159,000
Halifax Insurance Building	83,000
Maritime Centre ²	494,000
Saint John, New Brunswick	
Brunswick Square (29.5%) ²	577,000
Quebec City	
Place Quebec — Phases I and II	785,000
Montreal	
Place Ville Marie	2,929,000
2020 University (85%)	530,000
BCN Building	511,000
360 St. James Street	314,000
Domtar House	197,000
Drummond Medical Building	196,000
Port St. Laurent	179,000
Peel Centre Building	164,000
Orpheum Building	157,000
5165 Queen Mary Road Building	63,000
Toronto	
180 Wellington Street West Building	249,000
Edmonton	
CN Tower	357,000
Centennial Building	322,000
Calgary	
Calgary Place (50%)	702,000
Royal Bank Building	350,000
Pacific 66 Plaza	221,000
Texaco Building (75%)	107,000
9th Avenue Building	88,000
Montreal Trust Building	46,000
Westburne Building	37,000
12th Avenue Building	31,000
17th Avenue Building	27,000
Glidden Building	17,000
8th Avenue Building	10,000
Scotia Centre (50%) ²	591,000
Vancouver	
Royal Centre	833,000
Detroit	
First National Building	953,000
Fisher Building	924,000
New Center Building	290,000
Los Angeles	
Airport Freeway	467,000
Valley Center	374,000
Tristar Towers North (40%)	483,000
Tristar Towers South (40%)	170,000
Encino Gateway ²	643,000
Sunset Argyle ²	477,000
Wilshire Center ²	345,000
Atlanta	
Peachtree Center Tower (67%)	411,000
Total	16,863,000

SHOPPING CENTRES

	Total (rentable sq. ft.)
Halifax	
Halifax Shopping Centre	475,000
Dartmouth	
Dartmouth Shopping Centre	107,000
Montreal	
Les Galeries Normandie	241,000
Jean Talon Shopping Centre	65,000
Ottawa	
Carlingwood Shopping Centre (50%)	290,000
Toronto	
Yorkdale Shopping Centre ³	904,000
Scarborough Shopping Centre (90%) ³	700,000
Markham Marketplace (50%) ²	263,000
Winnipeg	
Unicity Fashion Square (67%)	477,000
Vancouver	
Lougheed Shoppers Mall (50%)	491,000
Brentwood Mall (50%)	442,000
Crown Zellerbach	56,000
Clearwater	
Clearwater Mall (67%) ^{2,4}	876,000
Total	5,387,000

RETIREMENT LODGES

	Guest Capacity
Quebec	
St. Lambert ²	210
Ontario	
Thorncliffe No. 1, Toronto	217
Queen's Drive, Toronto	208
Kitchener	208
Windsor	167
Thorncliffe No. 2, Toronto	150
Ottawa No. 1	132
Jane Street, Toronto	129
London	107
Thunder Bay	107
Hamilton	79
Albion Road ²	256
Ottawa No. 2 ²	150
Manitoba	
Winnipeg No. 1	277
Winnipeg No. 2	215
Brandon	90
Alberta	
Edmonton	134
Calgary	123
Jasper Place	100
Grande Prairie	88
British Columbia	
Windermere Lodge, Vancouver	211
Total	3,358

¹Includes parking where applicable.

²Classified as property under development.

³Excluding Simpson's premises.

⁴Including Burdines' premises.

MOBILE HOME COMMUNITIES

Location	Name	No. of Sites
Canada		
Winnipeg	Southglen (50%)	364
United States¹		
Arizona	Catalina Village	379
Arizona	Capri Village	281
Arizona	Papago Peaks Village	279
Arizona	Mesa Village	199
Arizona	Hacienda de Valencia ²	364
Colorado	Holiday Hills Village	758
Colorado	Hillcrest Village	333
Colorado	Cimarron	327
Colorado	Hillside Village	270
Colorado	Golden Terrace Village	264
Colorado	Pueblo Grande Village	252
Colorado	Holiday Village	240
Colorado	Chaparral Village	107
California	Concorde Cascade	282
California	Lamplighter Village	269
California	Rancho Valley	140
Florida	Holiday Parks	649
Florida	Windmill Ft. Myers	479
Florida	Windmill Sarasota	470
Florida	Regency Cove	438
Florida	Carriage Cove	418
Florida	Lake Haven	379
Florida	Bay Aristocrat	361
Florida	Palm Lake Estates	265

¹Company's interest is 99.7%.

²Classified as property under development.

³Includes 40,000 sq. ft. commercial space.

Location	Name	No. of Sites
Florida	Eldorado	228
Florida	Stonehedge on the Hill ²	192
Kansas	Gaslight Lawrence	421
Louisiana	Cedarcrest Village	395
Minnesota	Camelot Acres	319
Montana	Casa Village	482
Nebraska	Gaslight Lincoln	434
Nevada	Rancho Bonanza	182
Nevada	Bonanza Village	182
Oklahoma	Rockwood Village	264
		Total 11,666

HOTELS

	No. of Rooms
Quebec Hilton, Quebec (50%)	572
Van Air Marina, Richmond, B.C.	373
Regina Inn, Regina (50%) ³	240
	Total 1,185

APARTMENTS

Halifax	No. of Suites
Park Victoria Apartments	400
Spring Garden Terrace Apartments	201
Embassy Tower	162
	Total 763

OTHER PROPERTIES

Other properties include land held for future development, an industrial park and other miscellaneous buildings.

Trizec Corporation Ltd. and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

As at October 31, 1976

	1976 (\$000's)	1975 (\$000's)
ASSETS		
Property interests (note 3)		
Income producing properties	686,852	734,574
Properties under development	113,980	90,466
Properties held for development	39,263	40,398
Equipment	3,000	2,373
	<u>843,095</u>	<u>867,811</u>
Accumulated depreciation	37,409	34,245
	<u>805,686</u>	<u>833,566</u>
Investments (note 4)	32,933	21,247
Other assets		
Cash	6,958	6,970
Accounts receivable (note 5)	33,632	37,067
Deposits	1,140	5,615
Prepaid expenses and deferred charges	16,016	16,414
	<u>896,365</u>	<u>920,879</u>
LIABILITIES		
Long term debt (note 6)	658,349	699,125
Accounts payable and accrued liabilities	50,564	44,263
Bank advances	36,149	31,012
Deferred income taxes	34,503	29,136
Minority interest in subsidiary companies	771	1,499
	<u>780,336</u>	<u>805,035</u>
SHAREHOLDERS' EQUITY		
Capital stock (note 7)		
Authorized —		
10,000,000 shares without nominal or par value		
Issued and fully paid —		
7,763,462 shares (1975 — 7,759,772 shares)	98,087	98,031
Contributed surplus	780	780
Retained earnings	17,162	17,033
	<u>116,029</u>	<u>115,844</u>
	<u>896,365</u>	<u>920,879</u>

Signed on behalf of the board

Harold P. Milavsky, Director

E. J. Courtois, Director

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF EARNINGS

for the year ended October 31, 1976

	1976 (\$000's)	1975 (\$000's)
Income		
Operations	159,380	172,597
Interest and miscellaneous income	3,419	1,341
	<u>✓162,799</u>	<u>✓173,938</u>
Expenses		
Operating	66,335	75,942
Salaries, general and administrative	9,703	9,430
Property taxes	23,889	22,671
Interest	46,989	48,253
	<u>146,916</u>	<u>156,296</u>
Operating profit before other charges	<u>15,883</u>	<u>17,642</u>
Other charges		
Depreciation	7,579	7,828
Minority interest	280	479
Income taxes — current	130	135
deferred	4,531	5,966
	<u>12,520</u>	<u>14,408</u>
Net earnings before extraordinary gains (losses)	<u>✓ 3,363</u>	<u>✓3,234</u>
Extraordinary gains (losses) (note 8)	647	(310)
Net earnings for the year	<u>4,010</u>	<u>2,924</u>
Net Earnings per share (note 9)		
Before extraordinary gains (losses)	<u>✓43.3¢</u>	<u>✓42.7¢</u>
Extraordinary gains (losses)	8.4¢	(4.1¢)
Net earnings for the year	<u>51.7¢</u>	<u>38.6¢</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended October 31, 1976

	1976 (\$000's)	1975 (\$000's)
Balance — beginning of year	17,033	17,898
Net earnings for the year	4,010	2,924
	<u>21,043</u>	<u>20,822</u>
Dividends	3,881	3,789
Balance — end of year	<u>17,162</u>	<u>17,033</u>

The accompanying notes are an integral part of the financial statements.

Trizec Corporation Ltd. and Subsidiary Companies

CONSOLIDATED STATEMENT OF CASH FLOW FROM OPERATIONS

for the year ended October 31, 1976

	1976 (\$000's)	1975 (\$000's)
Net earnings for the year before extraordinary gains (losses)	3,363	3,234
Non-cash items		
Depreciation	7,579	7,828
Deferred income taxes	4,531	5,966
Other	477	542
Cash flow from operations	15,950	17,570
Cash flow from operations per share (note 9)	\$ 2.05	\$ 2.32

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended October 31, 1976

	1976 (\$000's)	1975 (\$000's)
Cash flow from operations	15,950	17,570
Disposal of assets		
Sale of property interests and investments	114,076	43,934
Related debt	(61,748)	(28,692)
Balances of sale	(22,278)	(12,029)
	30,050	3,213
Financing		
Capital stock issued	56	6,684
Additional long term debt — net	14,244	68,209
Mortgage and sinking fund payments	(13,594)	(14,244)
	706	60,649
Funds obtained from (retained in) other assets and liabilities	23,662	(14,863)
Dividends paid	(3,881)	(3,789)
Funds available for investment	66,487	62,780
Invested as follows:		
Construction and development of properties	53,817	50,880
Property acquisitions and joint ventures, net of debt assumed of \$20,322,000 (1975 — \$5,011,000)	12,670	11,900
	66,487	62,780

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended October 31, 1976

1. Accounting Policies

(a) General

The company is a member of the Canadian Institute of Public Real Estate Companies (CIPREC). The company's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of that Institute.

(b) Principles of consolidation

The consolidated financial statements include:

- (i) The accounts of all companies in which the company holds an interest in excess of 50%;
- (ii) The accounts of all incorporated and unincorporated joint ventures in which the company holds an interest, to the extent of the company's interest in their respective assets, liabilities, revenues and expenses.

(c) Foreign exchange

- (i) Property interests and investments in United States dollars are translated into Canadian dollars at the rates of exchange prevailing at the date such assets were acquired;
- (ii) Long term debt payable in United States dollars is translated into Canadian dollars at the rates of exchange prevailing when the funds were received or, where applicable, at the rates established under foreign currency commitments;
- (iii) Other assets and liabilities in United States dollars are translated into Canadian dollars at the rate of exchange prevailing at the date of the balance sheet, or, where applicable, at rates established under foreign currency commitments;
- (iv) Operating revenues and expenses in United States dollars are translated into Canadian dollars at the average rate of exchange for the year.

(d) Property interests

- (i) Property interests are valued at cost (including development expenses) plus the excess of the cost of shares of certain subsidiaries over the carrying cost of the properties acquired. This excess has been ascribed by management to these individual properties;
- (ii) The cost of properties under development and properties held for development includes direct carrying costs such as mortgage interest, property taxes, and the applicable portion of administrative overhead and interest on general borrowings. Substantially all of the company's properties under development are deemed to become income producing upon achieving a break-even point in the net cash flow (after debt amortization) within a reasonable period of time having regard to the nature of the asset;
- (iii) Depreciation on income producing property is based on the sinking fund method under which an increasing amount consisting of a fixed annual sum together with interest compounded at the rate of 4% per annum is charged to earnings so as to fully depreciate the properties over their estimated lives of from 40 to 60 years.

2. Change in Accounting Policy

During the year the company adopted the policy of accounting for its investments in shares of corporate joint ventures on the proportionate consolidation method (note 1(b)). These investments were formerly carried in the accounts on the equity basis. Had the equity method been used, cash flow from operations for 1976 would have been \$810,000 greater.

The 1975 figures have been accordingly restated, resulting in the following increases (decreases) to the figures previously reported:

	(\$000's)
Assets (other than investments)	32,748
Liabilities	20,857
Investments	(11,891)
Cash flow from operations	(244)

Trizec Corporation Ltd. and Subsidiary Companies

3. Property Interests

(a) Property interests have been increased by the addition of the following directly related development expenses:

	1976	1975
	(\$000's)	(\$000's)
Salaries, general and administrative	4,161	4,069
Property taxes	2,082	2,129
Interest	10,546	11,528
	<u>16,789</u>	<u>17,726</u>

(b) Properties carried at net book value of approximately \$385,921,000 are situated on land held under leases or agreements expiring in the years 2022 to 2074.

(c) It is estimated that the company's share of further expenditures required to complete the properties under development will amount to approximately \$25,228,000 as at October 31, 1976. Term bank financing has been arranged for approximately \$24,458,000 of this amount.

(d) The undepreciated capital cost available to the company for income tax purposes amounts to approximately \$571,000,000.

4. Investments

Investments are classified as follows:

	1976	1975
	(\$000's)	(\$000's)
Balances of sale	25,202	12,029
Advances to joint venture partners	6,555	7,217
Other	1,176	2,001
	<u>32,933</u>	<u>21,247</u>

5. Accounts Receivable

Included in accounts receivable is an amount of \$5,082,000 (1975 — \$5,082,000) in respect of funds provided to a trustee under the terms of the Executive Share Purchase Plans, which funds were loaned to employees (some of whom are directors) to purchase fully paid shares of the company which are held as security for these loans.

6. Long Term Debt

Long term debt maturities are as follows:

	Average interest rates as at October 31,	Years ending October 31,							Total
	1976	1976	1977	1978	1979	1980	1981	Subsequent	
	%	(\$000's)							
Debt subject to regular amortization —									
Mortgage loans and bonds	8.3		8,184	10,396	11,363	22,363	12,740	358,278	423,324
Debt not subject to regular amortization —									
Mortgages	8.9		11,805	1,380	897	463	856	6,591	21,992
Bank loans	8.6		5,002	14,824	7,804				27,630
Notes payable	9.6		6,608	857	4,251	3,173	495	11,367	26,751
Senior debentures	10.2		1,420	1,925	8,925	4,125	4,200	54,450	75,045
Income bonds	7.2		2,500	12,500				20,000	35,000
Construction and development loans	9.9		1,077	6,353	4,606		15,251		27,287
Convertible debentures and notes (note 9(b))	7.0							21,320	21,320
Maturities as at Oct. 31, 1976			36,596	48,235	37,846	30,124	33,542	472,006	658,349
Maturities as at Oct. 31, 1975		67,137	65,214	15,656	39,406	26,115		485,597	699,125
Long term debt includes \$248,352,000 repayable in United States dollars, and \$24,000,000 due to a major shareholder and its affiliated company.									

7. Capital Stock

(a) During the year ended October 31, 1976 the company's issued and fully paid capital was increased by the issue of 3,690 shares for a consideration of \$55,359 on the conversion of debt.

(b) As at October 31, 1976 1,732,203 shares were reserved for conversion of certain debt, the subscription privileges of the share purchase warrants and the exercise of share options as follows:

	Shares reserved	Conversion price (subject to adjustment) \$	Exercisable
\$ 9,065,505 7% convertible notes due December 31, 1990	604,367	15.00	Before December 31, 1980
\$12,254,040 7% convertible (1971) notes due December 31, 1990	816,936	15.00	Before December 31, 1980
2,250,000 share purchase warrants	225,000	22.70	Before February 15, 1979
share option plans — granted January 1973	39,260	16.90	20% annually to January 1978
March 1973	7,500	19.25	20% annually to March 1978
December 1973	14,150	21.60	20% annually to December 1978
June 1974	2,400	18.45	20% annually to June 1979
— reserved, but not granted	22,590		
	<u>1,732,203</u>		

(c) On November 29, 1976 \$10,039,230 of 7% convertible (1971) notes due December 31, 1990, were converted into 669,282 common shares at \$15 per share.

8. Extraordinary Gains (Losses)

	1976 (\$000's)	1975 (\$000's)
Net gains (losses) arising from sales of property interests, net of related deferred income taxes of \$3,348,000 (1975 — \$705,000)	5,237	(310)
Provision for estimated diminution in the underlying economic value of certain undeveloped and other properties net of deferred income taxes of \$1,742,000	(3,934)	
Provision for contract terminations and other reorganization costs net of deferred income taxes of \$644,000	(656)	
	<u>647</u>	<u>(310)</u>

9. Per Share Calculations

(a) Net earnings and cash flow from operations per share have been calculated on the basis of 7,762,386 (1975 — 7,575,872) shares, which were the average number of shares outstanding during each of the years under review.

(b) The company's long term convertible debt includes certain issues which, if they had been converted for the year under review, would have decreased the net earnings per share before extraordinary items and net earnings per share for the year to 41.0¢ and 48.5¢ respectively. Cash flow from operations per share would have decreased to \$1.80.

10. Contingent Liabilities

The company and certain subsidiaries are contingently liable for obligations of their respective associates in joint venture developments. In each case, all of the assets of the joint venture are available for the purpose of satisfying such obligations.

11. Remuneration of Directors and Officers

The following remuneration was paid to 19 directors of the company and to 19 officers (6 of whom were directors). In 1975 there were 18 directors and 18 officers (7 of whom were directors).

	1976	1975
	\$	\$
Directors	112,083	108,050
Officers	1,180,214	1,193,443

12. Anti-Inflation Legislation

The company is subject to the terms of the Canadian Anti-Inflation Act and Regulations which became effective October 14, 1975. The prices and profits sections of the regulations do not apply to the portion of the company's business related to rental of real property.

The company has complied in all material respects with the terms of this Act.

The amount of dividend per share which the company can declare or pay is limited by the Act as follows:

Year ended October 13, 1976	\$0.50 per share
Year ending October 13, 1977	\$0.54 per share

13. Comparative Figures

Certain of the 1975 figures have been restated for purposes of comparison.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Trizec Corporation Ltd. and its subsidiary companies as at October 31, 1976 and the consolidated statements of earnings, retained earnings, cash flow from operations and changes in financial position for the year then ended. Our examination of the financial statements of Trizec Corporation Ltd. and the subsidiaries and joint ventures of which we are the auditors included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries and joint ventures.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles which, except for the change in method of accounting for corporate joint ventures referred to in note 2 with which we concur, have been applied on a basis consistent with that of the preceding year.

Coopers & Lybrand
Chartered Accountants
Montreal, December 23, 1976

ANALYSIS OF PROPERTY INTERESTS

	Total	Office & Com- mercial	Shopping Centres	Apts.	Hotels	Retire- ment Lodges	Mobile Homes	Property Under Devel- opment	Property Held For Future Devel- opment
	(\$000's)								
GROSS BOOK VALUE									
As at October 31, 1976									
Maritimes	64,116	9,171	14,036	16,007	—	—	—	22,873	2,029
Quebec	270,259	226,267	7,638	—	12,681	—	—	3,431	20,242
Ontario	135,651	6,574	85,817	—	—	25,503	—	12,929	4,828
Western	177,189	98,446	15,533	—	20,363	20,298	—	15,864	6,685
U.S.A.	192,880	74,958	—	—	—	—	53,560	58,883	5,479
Total	840,095	415,416	123,024	16,007	33,044	45,801	53,560	113,980	39,263

EARNINGS

For the year ended
October 31, 1976

								Construc- tion and Other
Income from operations	159,380	79,814	25,605	2,798	14,800	20,542	9,842	5,979
Less operating expenses	66,335	25,467	5,310	946	12,753	14,525	3,529	3,805
Property taxes	23,889	16,702	4,023	299	1,032	1,084	749	—
Net operating income before interest, salaries, general and administrative expenses	69,156	37,645	16,272	1,553	1,015	4,933	5,564	2,174

